

CDBG POLICY COMMITTEE MEETING
March 27, 2002
Minutes

Present:	Kelari Kellar	UBAOG
	Jerry McNeely	SEUALG
	Bryce Nelson, Vice-Chairman	BRAG
	Jeff Gilbert	BRAG
	Sam Starley	Six County AOG
	Shirleen Lowry	Six County AOG
	Steve Browne	MAG
	Lane Nielson	WFRC
	Cheryl Elliott	CDBG Staff
	Richard Walker	CDBG Staff
	Edwin Benson	Six County AOG
	Glenna Matekel	CDBG Staff
	Diane Lamoreaux	Five County AOG
	Lorna Stradinger	UBAOG
	Cris Rhead	DCED
	David Conners	WFRC
	Art Peterson	DCED
	Roger Carter	Santaquin
	Shannon Hoffman	Santaquin
	Kimberley Schmeling	DCED
	Pauline Zvonkovic	HUD
	Sherie Brinkerhoff	DCED
	Janine Cook	MAG
	Debbie Hatt	SEUALG

Excused:	Chesley Christensen, Chairman	Six County AOG
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1. WELCOME AND INTRODUCTIONS: The meeting was held on Wednesday March 27, 2002 at 324 South State Street, 5th Floor in Salt Lake City, Utah and began at 1:00pm. Bryce Nielson, Vice-Chairman, acting as the chair, welcomed everyone. Introductions of the committee were then made.

2. APPROVAL OF MINTUES: Bryce Nielson asked for approval of the minutes from the August 22, 2001 meeting.

MOTION: Jerry McNeely made a motion to approve the minutes from the August 22, 2001 CDBG Policy Committee meeting. Bryce Nielson seconded the motion. Motion carried.

3. OVERVIEW OF THE STATE CDBG SMALL CITIES PROGRAM: Glenna Matekel gave the overview of this program. She said the “Bible” of the program is the Application Guide listing all the current policies of the state. Each committee member should also have access to the HUD guide to National Objectives and Eligible Activities.

The Policy Board members represent the seven regions of the Utah CDBG program. This program is unique in the nation because a local official makes funding decisions at the regional level. In other states, funding decisions are made at the state level. The Utah Small Cities Program is funded and operated under Title I of the Housing and Community Development Act of 1974 and is in the 21st year of operation in Utah. The purpose of the Community Development Block Grant is to develop viable communities providing decent housing, a suitable living environment and expansion of economic opportunities principally for low to moderate income families. Eligible

applicants of the CDBG program are cities with populations under 50,000, counties with populations of less than 200,000, and six of the seven units of local governments (excluding the Wasatch Front Regional Council).

There are three national objectives, but only one must be met in the applications:

1. Benefit to low and moderate income persons- 80% or less of the county median income. (Most of Utah's projects meet this objective)
2. Aiding and prevention or elimination of blights.
3. To meet urgent health and welfare needs. This category concerns existing conditions that pose a serious or immediate threat to the health and welfare of the community where other financial resources are not available to meet such needs.

Glenna requested that all the committee members promote CDBG in their regions, educate their peers by passing information on about the CDBG program from the state level, and act as the communication link between CDBG and other levels of government they are involved with.

4. REVIEW GOVERNOR'S RESOLUTION AND BY-LAWS: Keith Heaton led a discussion on Section 3.1 of the By-Laws that states that "*agendas are to be sent out at least 30 days prior to the meeting to give members ample opportunity to evaluate positions on items to be discussed.*" There is a conflicting statement in Section 3.6 that states, "*The agenda for each meeting shall be sent in advance and mailed to members to be received at least seven days before the meeting so that the Committee can make the necessary preparation for the meetings.*" He asked for a motion or discussion on this matter.

MOTION: Jeanine Cook made a motion to remove the part of Section 3.6 from the Bylaws that says the agenda will be sent out seven days in advance. Council Member Jerry McNeely seconded the motion. During discussion Lorna Stradinger asked that a seven-day reminder be sent out. Bryce Nielson amended the motion and added to Section 3.1A the following: **the agenda will be sent out thirty days in advance of the meeting with a reminder notice being sent out seven days in advance. Amended motion carried**

Section 3.4 of the By-laws refers to the election of officers of the Committee. Keith said that Chairman Chesley Christensen was elected last year and Bryce Nielsen was elected as the Vice-Chairman. Elections will take place in January 2003.

Keith said that Section 4.3 addresses the termination of a member from the Committee. This section states: "*If any member of the Committee misses two (2) consecutive meetings and does not designate a substitute as provided in Article 3.1, a permanent replacement shall be requested by the Chairman to serve the unexpired term of that displaced representative.*" Keith stressed the importance of sending a substitute whenever an appointed member cannot attend. The substitute must be an elected official that sits on the rating and ranking board. There are only three meetings a year and the business that takes place affects all the regions. It is important that there be a quorum present for voting. Each region must be represented. Richard Walker spoke to the new members of the committee and said that the Governor's Office has not officially approved the appointments yet, but all that remains is an official letter from Wasatch Front to be submitted for final approval and official appointment

5. EMERGENCY REQUEST - SANTAQUIN: Steve Browne, MAG said that because of the large fire last year there is a real chance of severe flooding this year in the Santaquin area. Roger Carter, administrator of Santaquin City spoke to the Committee regarding the concern for flooding. He introduced Shannon Hoffman, administrative assistant who will work with the CDBG funding.

Santaquin has suffered two fires during the year – Warm Springs consumed 1000 acres of annexed city property and the Molly Fire in August 2001 which destroyed 8,000 acres of forestland. Agencies from Alpine to Nephi helped fight the fire. Post-burn flash flood hazard is a real concern now. The Natural Resource Conservation Service has evaluated the situation and there is little vegetation left. They have determined that there is a high risk for danger and damage to Santaquin with as little as ½" rain falling in one hour. There are some flood mitigation measures that have been put in place and some funding has been received from the Emergency Watershed

Protection Fund as well as state Emergency Management, but there still may be a need for more emergency funding. Jersey barriers are in place to protect subdivisions and straw bales (4x4x8 foot bales) have been put behind the subdivisions to direct water away as it runs off the hills. There is a need to reinforce some dike work and fence gullies in the foothills. The additional funding would be \$80 – 100,000. Roger requested the money in the event that they need it. Santaquin has reseeded the property. After spring runoff the main concern is the heavy rains that come in August. The natural canyons could bring water right into the subdivisions. Banking in the canyons needs to be reinforced.

Bryce asked if FEMA money could be used. Roger responded that FEMA money is used for post recovery issues. Richard asked if there is anything permanent to be constructed. Roger said no. NRCS said that the mountain would eventually recover.

Keith said that the CDBG Fund tries to keep \$100,000 for emergencies. The money comes from the interest earned on interim loans. This money could be used for an eligible project. Santaquin would have to go through a portion of the application process – the pre-application and final application that details the exact project to be done. If these funds are used, the detailed application would be needed as well as approval from MAG. A detailed packet would be sent to committee members and a vote of approval from this committee would be needed. Richard added that with emergency projects the amount of the contract is taken off the top of that region's next allocation to restore that money to the emergency fund to bring the money back to the balance where the fund should be. In this case the region would be Mountainland. The money would automatically come off the top without the rating and ranking process.

Roger said they have met with the Mountainland AOG, but it will still be about a month before they know exactly what their requirements will be. Keith said that the most time-consuming part of the process would be the public hearing. The national objective to be met could be health and welfare of the community or the community-wide low-income level. One concern would be if the project would benefit the whole town or just certain areas. Roger said that several agencies have already declared that there is an imminent threat of flooding for the whole town.

6. PROJECT:

BUTLER BUILDING- TOOELE COUNTY: Keith reported that a phone poll was done to get approval for this project because Mr. Butler said there was a need for immediate action or he would lose his inventory and financing. However, at this time, Keith has not received an application.

Lane Nielson from the Wasatch Front Regional Council has been working with Mr. Butler. He said that the original request was for an interim loan for funding to pay capital costs for a new building supply store in Wendover, Utah. Tooele County is the legal applicant and owns the property where the store would be built. It is part of the Wendover Airport property that was sold a few years ago. The county would like to build a business/industrial park and provide new jobs for people. The major issues for Butler have been pinning down a site with the county and getting a letter of credit. Wendover, however, thinks they can purchase the property again in eight years so a long-term lease would be difficult. This lease problem is holding up the building.

Keith said that there was a policy passed by the committee that says an approved loan can only sit unused for one year from the approval date. This project has seven or eight months left from the approval date. If there is no action from Mr. Butler, CDBG will withdraw the approval and Mr. Butler would have to start the application process again. Lane said that the reason this project came before the committee is because they are seeking an interim loan instead of a CDBG grant that would be handled through the rating and ranking of the AOG.

Keith explained that with the allotment of money the state receives, interim loans can be given out from the committee. With an interim loan, the money has already been allocated, but might not be spent for one or two years. The money is then loaned out on an interim basis, and earns a small amount of interest that will support the emergency fund. The money is drawn down quickly, it benefits the community, it allows some economic development and we get the money back to spend on projects that go through the traditional granting process. All

these loans have an unconditional, irrevocable letter of credit from a bank that is the security for the loan. The initial term is two years with one year extensions approved by the Policy Committee each year for five or six years.

Keith gave Wasatch County as an example of an interim loan. Wasatch County had the Bear River Soup Kitchen warehouse become available. They wanted to purchase the building and have a high-tech company move in to create a large number of high-paying jobs. Unfortunately, the high-tech company that wanted to buy the building decided not to at the last minute. The Policy Committee allowed Wasatch County to buy the building. This happened almost a year ago and Wasatch County has found a buyer for the building and will secure private financing now. The money will be repaid in June. Keith stressed that the state staff does the underwriting on the interim loans to make sure that the companies are solid and that they have a letter of credit before a loan is made.

Kimberley Schmeling from the Accounting Department said that she understands HUD regulations say that the federal money must be under contract within two years of receiving it and should be used within five years. Richard said that none of the interim loans have gone five years. The most important part of the interim loan is the letter of credit and the need for a loan from CDBG must be justified. The only other interim loan out at this time is Duchesne County Hospital. They needed to expand the hospital but did not want to wait for two or three years for the expected cash flow. They got an interim loan and were able to immediately do the expansion, get the doctors in, and create the jobs rather than wait until their cash flow allowed them to get conventional loans.

Bryce said that although today's agenda indicated that there would be a motion on the Butler Builders project, there is insufficient information to make a motion at this time. He suggested waiting until the next meeting to make a decision on this project.

7. AWARD PRESENTATION: Keith presented an award to Shirleen Lowry who will be retiring in June. Shirleen has worked in Six County for twenty years with the CDBG Program. Keith thanked her for being so pleasant and professional to work with.

8. CONSOLIDATED PLAN: Richard gave a copy of the Consolidated Plan to each board member and AOG. This plan is a requirement of the federal government in order for the state to keep federal money. Each of the regions and board members should have been involved in developing the regional Consolidated Plan. After receiving the regional plans, Richard summarized them for the state Consolidated Plan. More work was done on the economic development component of the plan this year. In the coming year more work needs to be done to strengthen the involvement of the public in the plans. From the statewide perspective housing issues were not looked at. When all the AOG's meet together discussion will be held on the needs of the AOG's. An entire rewrite of the Consolidated Plan will be submitted in February 2005.

The economic plan identified issues related to economic development that came from the regional plans:

- Insure adequate capitalization of revolving loans.
- Expand revolving loan programs into the two regions not currently served by this resource.
- Emphasize the development of micro-enterprise loan programs.
- Develop entrepreneur training programs.
- Develop regional economic development strategies
- Prioritize business retention and expansion locally.
- Create partnerships between academic technology developments, venture capital, etc. in remote locations.
- Work toward diversifying local rural economies.
- Fully implement the governor's new "Smart Site" economic development program
- Fully integrate cities and counties into the ED planning process.

These priorities have been established:

- Promote the stabilization and expansion, if financially feasible, of existing businesses.
- Maximize the full development of the Governor's "Smart Site Program".
- Develop detailed regional level strategic plans for Economic Development.

- Make available technical assistance and revolving loan funds in all areas of the state.
- Develop a program to create partnerships among all players in the economic development industry that must all become involved in a comprehensive way.
- Plan for and create infrastructure to support economic development in all communities.

The Community Development Priorities are listed as follows:

- Culinary Water Development
- Community Planning, Growth Management and Capital Investment Planning
- Transportation
- Public Services
- Sewer and Storm Drainage Systems
- Public safety, including youth crime prevention programs
- Community Centers and Libraries
- Accessibility Projects
- Parks and Recreation

MOTION: Lorna Stradinger made a motion to approve the 2002-2003 Consolidated Plan as presented by Richard Walker. Jeanine Cook seconded the motion. Motion carried.

9. UINTAH BASIN MEDICAL CENTER: Kellari Kellar said that the construction on the medical center has taken longer than expected. Since the building is not complete, the doctors have not been able to move into the building and the pharmacy has not been open. They were not able to generate the anticipated revenue to make the first payment in January. They are asking the board to grant an extension to make the first payment in July. They also have a loan/grant combination from USDA but it cannot be released until the center is completed.

Richard commented that this loan was made because of the delay in being able to obtain the financing privately. This money was gap financing. Businesses can apply for funding through a sponsor (city or county or AOG). The loan was for two to three years.

Bryce asked why the extension should go to July and not earlier. Kelari said that they want to make sure they are fully staffed before they pay it back. Rural Development has \$1.5 million in long term financing on this project.

MOTION: David Conners made a motion to approve the request for an extension to pay back the interim loan with the condition repayment is made at the earliest possible time after receiving funding from another funding source, or no later than July 2002 with interest. Sam Starley seconded the motion. Motion carried with Lorna Stradinger being recused because of a conflict of interest.

10. HUD'S NEW ACTIONS: Keith said that HUD has issued new actions regarding the failure to observe timely expenditures of CDBG funds. Regulations require that CDBG grantees hold, unspent, no more than 1.5 times their annual grant 60 days prior to the end of the program year. The amount of reduction in the first year will be between 15 to 30 percent. In the second year, if the grantee is still untimely, HUD will take 100 percent of the unspent funds. This regulation is to make the states get the money out quickly. Utah is very efficient in doing this. Steve Browne pointed out that HUD is part of the problem. Richard said that there is a movement at the national level to take money away from the richest cities and give it to the poorest cities.

11. HUD'S PROPOSED ALLOCATION FOR 2002-03: Glenna said that the Federal allocation of CDBG funds to Utah for 2002-03 Program year will be \$8,084,000. The State is authorized to use \$100,000 plus 2% of the total grant (\$161,680) for a total administration cost of \$261,680. The CDBG Policy Committee approved a 1% Technical Assistance Set-Aside at the retreat last year that totals (\$80,840). The final figure for the regional allocation is \$7,741,480. Each of the seven planning regions receives a base amount of \$150,000 for a total of \$1,050,000. That amount is subtracted from \$7,741,480. The remaining balance of \$6,691,480 is divided on a per-

capita basis of \$6.8029255 per regions based on the most current non-entitlement population figures. Funds repaid, refunded, returned, recaptured or unused from previous years will be added to the appropriate region's total allocation in 2002-2003 only at the beginning of the program year during the regular allocation process. Last year the CDBG Policy Committee also approved a Lead Based Paint Implementation Fund set-aside of \$300,000 at the state level.

Motion: Mayor Jeanine Cook made a motion to approve HUD's proposed Allocation plan for 2002-03 of \$8,084,000. Motion seconded by Jerry McNeely. Motion carried.

12. LEAD-BASED PAINT: Cheryl Elliott led the discussion regarding lead-based paint. HUD's final ruling on lead-based paint in federally assisted housing projects took effect January 10, 2002. Any projects committed this year or contracts signed this year dealing with paint in homes scheduled for rehabilitation that were built prior to 1978 must conform to the new rules. Everyone associated with the rehabilitation of the pre-1978 home must be trained in lead safety work practices. In June 2000, the Policy Committee approved a \$300,000 lead-based paint set-aside to be divided among all the regions to assist grantees in implementing the new rules. The money can be used for training, to buy a machine to test paint or lead-screening clearance testing after a unit has had work done on it.

In April, Howard Kutzer from HUD will meet with DEQ, EPA and State people. There will be no more free classes in Utah. Unfortunately the classes that were held last year were poorly attended. Cheryl asked the committee what the needs are in the regions doing rehabilitation. Shirleen Lowry said that the contractors seem reluctant to get involved with the lead-base paint because of the liability issue. They don't want to disturb any paint. Richard asked how the regions would feel about hiring outside companies to do the paint testing. Debbie Hatt said in her region contractors still don't want to be involved with lead-based paint even if someone else is willing to take on the liability .

Cheryl said that people receiving down-payment assistance are going to have to have the paint inspected if the home was built prior to 1978. It is a problem to get someone in the smaller areas to go and do the inspection. Even though there is money available to pay someone to be trained it is very difficult to find anyone wanting to take on the liability. Bryce suggested that the building inspectors might have to be the ones to do the testing. In the next few years these regulations are going to apply to all rehabilitation whether or not the home is federally assisted. The regulations are strict. Bryce suggested that a list be compiled listing the firms and individuals available to do lead-based paint testing.

Before contracts are closed out, the state will monitor whether the regulations on lead-base paint have been followed. Pauline Zvonkovic said that regardless of the funding sources contractors will be held liable for any rehab project. The biggest affect from lead-based paint is on children. Contractors will be sued if people get sick and die.

The \$300,000 set-aside is available to assist the regions now. Housing Authorities could be helped with their programs. If rehab projects are less than \$5,000 a one-day class could be held and there would be a minimum number of regulations to follow. It is unfortunate that the contractors are so unwilling to go through training. It is not legal to require children to be tested for lead poisoning.

Richard said that the money must be spent. If it is not going to be spent for the training it needs to go back into the fund. If the money is going to be spent, there needs to be a proposal made within the next 2 to 3 months from each region as to how they want to spend the money (\$42,000 is available to each region). There should be recommendations from each AOG by the summer retreat regarding how they want to use the money. Cheryl will contact Rocky Mountain and see if they would do the training. Suggestions on use of the money should be sent to Cheryl. Contractors need to know that EPA will be enforcing these regulations in the next few years. Pressure will need to come from the building inspectors.

13. JUNE RETREAT: Mountainland Association of Governments will be the host of the June Retreat this year. Steve Browne will find a place to hold it. The date will be in the third or fourth week of June. A poll for dates will be sent by E-mail by the middle of May.

14. OTHER BUSINESS: The AOG, RLF and ED training will be held April 22, 2002 in this building. Community Development week will be held April 1 – 7, 2002 with the recognition being held in the Five County region on April 1st. Glenna encouraged all the regions to write an article for their local papers highlighting projects funded by CDBG in their region. Radio stations could also be involved. If anyone needs help Darrell Kirby with the DCED staff should be contacted.

Richard passed out copies of HUD's SuperNOFA announcement to all the committee members.

15. ASSESSMENT OF MEETING: Bryce said he found the meeting interesting with good discussion on important projects and issues. He also said it was good to have new board members in attendance.

MOTION: David Connors made a motion to adjourn the meeting and Lorna Stradinger seconded the motion. Meeting adjourned.